

2009-726

215269

ORIGINAL

SERVICE AGREEMENT

This Agreement made and entered into this 27<sup>th</sup> day of December, 1987, by and between SOUTH CAROLINA ELECTRIC AND GAS COMPANY, its successors and assigns, hereinafter called "Seller" and ST. FRANCIS XAVIER HOSPITAL, its successors and assigns, hereinafter called "Buyer".

WITNESSETH

WHEREAS, Seller owns and operates a natural gas system in the State of South Carolina which supplies natural gas for certain industrial operations under specific contracts with industrial customers, and

WHEREAS, Seller supplies Interruptible natural gas to Buyer at Buyer's present location under the terms of a Service Agreement between Buyer and Seller dated June 22, 1983, which is hereby being terminated at 8:00 A.M. Eastern Time on December 27, 1987, and

WHEREAS, Buyer has agreed to purchase natural gas from Seller according to the terms and conditions of this Service Agreement when natural gas is tendered by Seller whenever and to the extent Buyer has a requirement for fuel in Priority-of-Service Category 3C as set forth in Article III, Paragraph 1, of the General Terms and Conditions to Industrial Service Agreements hereto attached, for Buyer's facility located in Charleston, South Carolina.

NOW THEREFORE, in consideration of the covenants and agreements herein-after set forth, to be kept and performed by the parties hereto, it is mutually agreed as follows:

1. SCOPE OF DELIVERY

INTERRUPTIBLE GAS, PRIORITY-OF-SERVICE CATEGORY 3C

Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, up to a Maximum Daily Quantity of 840 dekatherms of natural gas per day on an interruptible basis, to be purchased and utilized by Buyer when and to the extent Seller has gas available, tenders such gas to Buyer and Buyer has a requirement for fuel. Seller makes no guarantee of deliveries hereunder. Interruptible gas will be offered when, and to the extent, available in accordance with the operating procedures set forth in Article IV, Paragraph 4, of the General Terms and Conditions to Industrial Service Agreements hereto attached. Any gas taken by Buyer, including gas utilized as fuel for pilots, after any order of Seller calling for complete curtailment of Buyer's interruptible load, or any gas taken by Buyer in excess of a partial curtailment order, shall be Unauthorized Overrun Gas and shall subject Buyer to the penalty rate per dekatherm set forth in Article IV, Paragraph 6, of the General Terms and Conditions to Industrial Service Agreements hereto attached. Deliveries of Interruptible Gas under this paragraph of the Service Agreement shall be utilized by Buyer only in Priority-of-Service Category 3C as set forth in Article III, Paragraph 1, of the General Terms and Conditions hereto attached.

2. HOURLY DELIVERIES

Seller shall not be obligated to make hourly deliveries of gas pursuant to Paragraph 1 above at an hourly rate exceeding 50 dekatherms per hour. Seller reserves the right to regulate the flow of gas delivered hereunder by means of automatic or manually operated flow control valves so as to limit the hourly flow of gas within the specified quantity.

3. POINT OF DELIVERY

The Point of Delivery for all gas delivered hereunder shall be at the outlet side of Seller's measuring and regulating equipment. The measuring equipment shall be installed on the Buyer's property at a location mutually agreed upon by Seller and Buyer. All gas shall be delivered at this location and it shall be the Buyer's responsibility to extend all fuel lines from this location to the point or points of usage.

4. DELIVERY PRESSURE

Seller agrees to use due care and diligence to furnish gas hereunder at such uniform pressure as Seller may elect up to, but not exceeding 15 pounds per square inch gauge, and not less than 3 pounds per square inch gauge, at the "Point of Delivery". Buyer shall be responsible for the installation and operation of adequate safety equipment downstream of the Point of Delivery so as to relieve or control pressure variations within the limits described above that may, for any reason through malfunction of Seller's equipment or otherwise, occur on Buyer's side of the "Delivery Point".

5. INITIAL SERVICE

Buyer agrees to begin purchasing natural gas under the terms and conditions of this Service Agreement at 8:00 A.M. Eastern Time on December 27, 1987, at which time the Service Agreement between Buyer and Seller dated June 22, 1983, shall terminate.

6. TERM OF AGREEMENT

This Agreement shall become effective on December 27, 1987, and shall continue in full force and effect through December 26, 1988, and from year to year thereafter. Either party may terminate this agreement at any time by giving at least thirty (30) days written notice of intention to terminate.

7. RATE

Buyer agrees to pay Seller each month for all gas delivered by Seller during the month at (i) the Base Rate or (ii) the Competitive Fuel Rate, whichever shall be applicable.

Gas volumes will be corrected for BTU content, pressure, temperature, supercompressibility, specific gravity, and other factors where applicable.

8. BASE RATE

Seller's "Cost of Gas" shall be determined according to the method shown in Exhibit A attached hereto, as may be amended or superseded by the Public Service Commission of South Carolina, and is incorporated in and made a part of this Service Agreement.

(a) INTERRUPTIBLE GAS, PRIORITY-OF-SERVICE CATEGORY 3C

Each month, the Base Rate for daily volumes of Interruptible Gas delivered by Seller to Buyer in Priority-of-Service Category 3C shall be thirty-seven cents (37¢) per dekatherm plus Seller's "Cost of Gas".

In addition to the Base Rate, the amount of any new or additional taxes imposed directly on the purchase or sale of gas delivered hereunder shall be added.

9. COMPETITIVE FUEL RATE

It is the intent of the Agreement that Buyer's cost of natural gas used in Priority-of-Service Category 3C shall be competitive with the as-fired cost of alternate fuel that Buyer could actually utilize in lieu of natural gas.

For the purpose of the computation to obtain the as-fired cost of the alternate fuel, it is understood and agreed that:

(a) The Alternate Fuel is Number 6 Fuel Oil.

(b) The cost of the alternate fuel (identified as "K") shall include:

- (1) Cost per gallon,
- (2) Freight to Buyer's facility, and
- (3) One Cent (1.0¢) per gallon for handling charges.

(c) Number 6 fuel oil shall be considered as having 148,500 BTU's per gallon or 0.1485 dekatherms per gallon, which is identified as "dt".

(d) The equipment using Number 6 fuel oil shall be considered as 84% thermally efficient, and using natural gas shall be considered as 82% thermally efficient, resulting in an efficiency factor (identified as "E") of 0.9762.

(e) The following formula utilizes the above values and shall be used to calculate the as-fired cost of the alternate fuel (identified as "C"):

$$C = \frac{EK}{dt}$$

If, at any time during the term of the Service Agreement, Buyer can establish by reasonable evidence (i.e. a vendor's invoice, bona fide written quotation, equivalent proof or Buyer's written declaration) that Buyer's as-fired cost of the alternate fuel to replace natural gas is less than the cost of natural gas, then Buyer shall advise Seller in writing, by the twenty-second (22nd) of the calendar month, that the cost of natural gas for the next ensuing billing period will exceed the as-fired cost of the alternate fuel.

Seller will respond to Buyer, in writing, prior to the beginning of the next billing period that Seller will either:

- (a) Lower the price of natural gas to ninety-nine percent (99%) of the as-fired cost of the alternate fuel and deliver gas, or
- (b) Notify Buyer of the price at which Seller will deliver gas in the event Seller elects not to lower the price to ninety-nine percent (99%) of the as-fired cost of the alternate fuel, or
- (c) Suspend the requirement provision of the Service Agreement on a day-by-day basis for the next billing period.

In the event Seller elects to lower the price of gas to ninety-nine percent (99%) of the cost of the alternate fuel, Buyer may not discontinue the purchase of natural gas hereunder. In the event Seller offers to deliver gas to Buyer at a price greater than ninety-nine percent (99%) of the as-fired cost of the alternate fuel, then Buyer may either accept delivery of natural gas at the price offered by Seller through a prompt verbal notice confirmed in writing or discontinue receiving gas for the next billing period. In no event will the cost of natural gas as determined by this paragraph, exceed the cost as determined under the Base Rate of this Service Agreement.

During any period of suspended service, Buyer agrees to continue to invoke the Competitive Fuel Rate provision each month for consideration by Seller. Should Buyer fail or refuse to invoke the Competitive Fuel Rate in writing, Seller shall price natural gas delivered to Buyer pursuant to the Base Rate of this Service Agreement.

#### 10. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions to Industrial Service Agreements dated January 1, 1985, attached hereto and duly executed by both parties, are hereby incorporated in and made a part of this Service Agreement. Should there be any conflict between any portion of the General Terms and Conditions to Industrial Service Agreements and this Service Agreement, the parties agree that the Service Agreement shall prevail. The General Terms and Conditions to Industrial Service Agreements may be modified by mutual agreement of Buyer and Seller.

11. NOTICES

All correspondence required of Buyer and Seller under this Service Agreement are to be addressed as follows:

To Seller:

South Carolina Electric & Gas Company  
In Care of: South Carolina Pipeline Corporation  
Contract Administration (K-58)  
Post Office Box 6317  
Columbia, South Carolina 29260

To Buyer:

St. Francis Xavier Hospital  
Attn: Executive Vice President - Financial Services  
135 Rutledge Avenue  
Charleston, South Carolina 29401

IN WITNESS WHEREOF, this Service Agreement has been executed on the date first above written by the parties hereto by their officers or other representatives.

ST. FRANCIS XAVIER HOSPITAL

Buyer

By Dennis G. A. Durbin

Title Exec VP

Witness [Signature]

Date 12/21/87

S. C. ELECTRIC AND GAS COMPANY

Seller

By [Signature]

Title V.P. - Gas Distribution

Witness Janice A. Smith

Date January 4, 1988

EXHIBIT A  
SOUTH CAROLINA ELECTRIC AND GAS COMPANY  
GAS COST CALCULATION - INTERRUPTIBLE GAS

APPLICABILITY

This calculation is applicable to and is a part of the Seller's Service Agreement for interruptible gas deliveries.

COST OF GAS

The cost of gas per dekatherm for the current month shall be determined (to the nearest thousandth of a cent) by the use of the equation below:

$$\text{Cost of Gas} = \left[ \frac{(P-D)}{S} - \frac{I}{E} \right] \times T$$

WHERE:

- P = Total cost of natural gas (processed or unprocessed) vaporized liquid natural gas, synthetic gas, propane-air mixture, landfill gas, or other source of methane gas or any mixture of these gases entering the Seller's system during the current month in dollars.
- D = The cost of gas attributable to all sales made by Seller to Buyers under an interruptible rate or contract where the Buyer has alternative fuel capability and has certified to the Seller the as-fired price of its alternative fuel such that Seller could not supply gas at a price that is competitive and service is provided by Seller under the competitive pricing provisions of the rate or contract.
- S = Total gas entering the Seller's system during the current billing month excluding gas sold under D above times the annual sales factor which will be determined by dividing total annual sales recorded in Accounts 480 through 483 plus distribution gas used in electric generation by the total annual gas entering the Seller's system. The annual sales factor shall be computed for the twelve months ending each March and applied beginning with the first billing cycle of the following May each year.
- I = The amount for the preceding month that the Energy Information Administration's monthly published price for fuel oil on an MBTU basis in addition to applicable taxes exceeds the actual tariff or contract rate multiplied times the therm sales to those individual boiler fuel customers subject to the provisions of Title II of the Natural Gas Policy Act of 1978 (NGPA) not qualifying for exemption under Section 206.
- E = Therm sales during the preceding month excluding those to individual boiler fuel customers subject to the provisions of Title II of the Natural Gas Policy Act of 1978 (NGPA) not qualifying for exemption under Section 206.
- T = Adjustment for revenue related Taxes plus one (1).

- NOTES:
- (1) The amounts calculated in the formula above shall include any applicable credit or debit adjustment approved by the South Carolina Public Service Commission reflecting corrections to a prior months Cost of Gas calculation.
  - (2) For non-exempt incrementally priced customers I & E will not be a part of the determination of their cost of gas.